Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review	)	
Comprehensive Review of the	)	CC Docket No. 00-199
Accounting Requirements and	)	
ARMIS Reporting Requirements	)	
for Incumbent Local Exchange	)	
Carriers: Phase 2 and Phase 3	)	
	)	

Reply Comments of the

Regulatory Commission of Alaska

Date: January 22, 2001

/s/
G. Nanette Thompson, Chair

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In the Matter of 2000 Biennial Regulatory Review Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3	)))))))))	CC Docket No. 00-199

<u>Reply Comments of the</u>
<u>Regulatory Commission of Alaska</u>

The Regulatory Commission of Alaska (RCA)[1] welcomes the opportunity to file reply comments in response to the Notice of Proposed Rulemaking (NPRM) released on October 18, 2000, in CC Docket No. 00-199 (*See* FCC 00-364). The NPRM sought comments on streamlining various accounting standards and reports employed by the Federal Communications Commission (FCC).

The RCA supports the comments filed by the National Association of Regulatory Utility Commissioners (NARUC) in this proceeding.[2] The changes proposed by the FCC in the NPRM will likely serve as an impediment to the RCA's ability to oversee fair and effective implementation of competition, as well as hinder the RCA's ability to adequately protect the public interest when competition is absent.

<u>Discussion</u>

[1] The RCA is the successor agency to the Alaska Public Utilities Commission, and has the same jurisdictional authority and responsibilities.

[2] While we support NARUC's position that no further flexibility is needed for mid-size ILECs, our comments should not be construed as supporting the adequacy of existing federal accounting requirements for mid-size ILECs or agreement that mid-size ILECs should report on a Class B level for state purposes.

Currently, Alaska has slightly more than twenty local exchange carriers serving approximately 400,000 access lines. Except for the major population centers of Anchorage, Fairbanks, and Juneau, local exchange competition is virtually non-existent. (Competition in Fairbanks and Juneau will begin in 2001). RCA regulations at 3 AAC 48.277(1) require Alaskan incumbent local exchange carriers (ILEC) with annual revenues of $5 million or more to maintain their accounting records using the Uniform System of Accounts (USOA) Class A accounts. ILECS with annual revenues less than $5 million may utilize USOA Class B accounts. The USOA is a necessary accounting standard that categorizes a utility's revenues, expenses, and plant amounts into predefined "accounts" so that the data can be compared company-to-company and can be accurately and easily audited and tracked.

The RCA depends heavily upon the information categorized in accordance with the current USOA to determine local service rates for carriers who have limited prospects of facing competition in the foreseeable future, as well as for evaluating contested unbundled network element (UNE) and interconnection rate proposals and arbitrations[3] in competitive local markets.

Based on the current USOA structure, the RCA annually determines intrastate access charges, evaluates the allocation of Alaska Universal Service Fund support to rural utilities, and evaluates proposed tariffs relating to discretionary or competitive service offerings. Most of our local carriers remain under rate of return regulation. For those ILECs in competitive environments, the RCA uses or anticipates using detailed carrier data reported under the USOA for determination of appropriate rate caps. Continuing property records also remain a useful tool for audit of account balances and to ensure that accounting records reflect reality.

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[3] The RCA has also utilized ARMIS data as a tool for monitoring the evolution of telecommunications in Alaska relative to the rest of the United States, as well as base line data for use in competitive interconnection arbitration proceedings.

The USOA structure serves as the most useful and efficient tool for the RCA in performing its responsibilities to oversee the fair and efficient implementation of competition, as well as to evaluate local service rates in the absence of competition.

The USOA was originally created by the FCC and was for the most part adopted for state purposes by the Alaska Commission. The RCA has the authority to require state carriers to comply with a state-specific USOA that differs from the federal USOA, especially if the FCC decides to eliminate the federal USOA or make undesirable changes to it. However, if the accounting system adopted by the FCC is incompatible with the state's USOA, then it may be extremely difficult to determine the state's share of total costs compared to the interstate's share of total costs.

Requiring a separate state USOA that significantly differs from the federal USOA may also be problematic. The RCA will face significant pressure from the industry to adopt the federal standard, because to do otherwise could force some or all carriers to incur costs to maintain separate books and records for state and federal regulators.

The federal USOA also provides an invaluable tool for assessing interstate costs of local carriers, and in many cases for accurate categorization of costs eligible for interstate universal service support. The USOA and ARMIS are useful tools when comparing interstate and total company costs between carriers nationwide and for ensuring that any federal subsidies are appropriately used by the company receiving the support.

We therefore agree with the Oregon Public Utility Commission (OPUC) comments that the USOA provides much of the information needed to allow for different regulatory and competitive schemes in different jurisdictions and encourages states to use a single accounting system instead of 52 different systems. We further support the OPUC comments that requiring carriers to use the USOA, balances the need for public information with the carriers' rights to offer any monopoly services and obligations as a carrier of last resort. The USOA does not impose significant record-keeping requirements beyond those that a reasonable carrier would otherwise perform.

We agree with the NARUC comments for the mid-sized ILECs. At this time, the reduced accounting and reporting requirements and increased revenue threshold should be adequate relief measures for the mid-sized ILECs.

Conclusion

The RCA believes it is premature to relax accounting standards related to the USOA and ARMIS for the reasons cited above. Companies now have access to computer equipment which makes accounting and categorization of costs easier than in previous years. Similarly, companies and regulators are familiar with the federal USOA in its current form. We believe that overall, the public is better protected from abuses of the federal (and state) universal service funds and from excessive rates, if the state and federal regulators have access to detailed utility accounting records. Relaxing the federal accounting rules would not benefit the public.

RESPECTFULLY SUBMITTED this 22nd day of January, 2001.

Date: January 22, 2001

/s/
G. Nanette Thompson, Chair
Regulatory Commission of Alaska

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